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REPORT TO THE FORTY-SIXTH LEGISLATURE

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MOTOR VEHICLE FEE SYSTEM

November 1978
Published by
MONTANA LEGISLATIVE COUNCIL
State Capitol
Helena, Montana 59601

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MOTOR VEHICLE FEE SYSTEM

A REPORT TO THE

FORTY-SIXTH LEGISLATURE

REVENUE OVERSIGHT COMMITTEE

December, 1978

Membership
Revenue Oversight Committee

Rep. Herb Huennekens, Chairman	Sen. William Mathers, Vice-Chairman
Rep. W. Jay Fabrega	Sen. Larry Fasbender
Rep. Harrison Fagg	Sen. Pat Goodover
Rep. Robert Sivertsen	Sen. Thomas Towe
Rep. John Vincent	Sen. Jean Turnage
Rep. J. Melvin Williams	Sen. Robert Watt

Staff Researcher: Teresa Olcott Cohea

Bill Drafting Assistance: Randall McDonald

The Committee's activity was funded by money appropriated in HB 842, Laws of 1977.

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SUMMARY AND COMMITTEE RECOMMENDATION

The Revenue Oversight Committee recommends the attached bill to the 46th legislature. The bill provides a fee in lieu of property tax for automobiles, light trucks, motor homes, travel trailers, campers, motorcycles, and snowmobiles.

After careful study, the Committee concluded that a uniform vehicle fee system would be more efficient to administer than the current property tax and more convenient for taxpayers.

BACKGROUND FOR STUDY

During this interim, the Revenue Oversight Committee studied the possibility of replacing the property tax on motor vehicles with a fee. The House and Senate Taxation Committees had considered the concept, proposed by SB 193 of the 1977 session, but felt that more study was necessary before a change with so many possible ramifications was enacted.

The Committee was interested in this concept for several reasons:

1) County assessors and their staffs spend over 20% of their time assessing motor vehicles. Since motor vehicles comprise less than 10% of the state's total tax base, this task requires an undue percentage of their time. A uniform fee system would reduce their work considerably.[1]

2) The tax on a vehicle model in one county may be double or triple that paid on the same model in another county. For example, an owner whose car was valued at $4,000 paid $176.45 tax in Anaconda (mill levy 336.7), while the owner of a car of equal value would pay $45.86 in Melstone (86.29 mills).[2] This disparity serves as an incentive to some taxpayers to register their motor vehicles outside the taxing jurisdiction in which they reside. A uniform fee would end this temptation and lessen citizens' confusion over varying tax bills.

3) The present method of assessment and taxation requires taxpayers to travel to county offices annually for assessment or, in some counties, to mail in a blank check to the county treasurer. This causes taxpayers inconvenience, particularly if they live far from the county seat. A uniform fee system would allow taxpayers to be billed for their annual fee.

4) The property tax imposed on recreational vehicles in Montana is so much greater than the fees imposed in neighboring states that many RV owners are reputed to register their vehicles illegally in another state or change their state residences to avoid Montana's tax. A uniform fee could lower the amount due on these vehicles.

After considering the advantages of a fee system, the Committee requested the Department of Revenue to prepare proposed fee schedules to: 1) produce the same amount of revenue as is currently collected from the property tax, and 2) provide as equitable a fee as possible for each type and age of vehicle.

Members were, however, aware that changing a method of taxing motor vehicles that had been used for over 50 years could pose problems for Montana's local governments, who are the chief recipients of the property taxes collected. The Committee studied possible problems at length, as described below.

FEE SCHEDULES

The Committee discussed various methods for distinguishing classes of motor vehicles--horsepowers, fuel efficiency, weight, and age--but finally settled upon weight and age as two significant features upon which Department of Justice motor vehicle registration records were complete enough to allow accurate fiscal impact estimates.

Members requested several revisions of the fees to:

1) reduce the fee for older vehicles, as an aid to the elderly and low-income; and

2) to differentiate between recreational vehicles of different size and widely varying values.

The Committee finally agreed upon the following classifications and fee schedules:

	Fee Range
a) Automobile, light truck, motor home, weighing 3,000 lbs. or less	$165 - $5
b) Travel trailer, and camper weighing 3,000 lbs. or less	$82.50 - $2.50
c) Automobile, light truck, motor home weighing more than 3,000 lbs.	$205 - $10
d) Travel trailer or camper weighing more than 3,000 lbs.	$102.50 - $5
d) Trucks over 3/4 ton would still be subject to the locally assessed property tax or interstate proration	
f) Motorcycles with more than 100 cc. displacement	$30 - $5
g) Motocycles with 100 cc displacement or less (except mopeds)	$15 - $5

h) Mopeds (under 2 horsepower) would be tax-exempt

i) Snowmobiles $30 - $5*

*The fees in the various schedules are in addition to the current motor vehicle registration fees.

Since the fee would be imposed on new vehicles, the Committee voted to repeal the new motor vehicle sales tax on vehicles subject to the fee.

DISTRIBUTION AND FISCAL IMPACT

The Committee considered two methods for distributing the proposed fee. Under the first, the state would collect the fee and return it to local governments in proportion to their mill levies in 1978. This would ensure that each taxing jurisdiction got approximately the same amount of fee money as it had collected under the property tax system. Under the second plan, the county treasurer of each county would collect the fees paid on the vehicles in the county and divide it among the county's various taxing jurisdictions in proportion to the current year's mill levy.

While agreeing that the first method would help counties adjust to the new system without experiencing economic loss, several Committee members raised objections to it. They felt that counties with low levies should not be forced to subsidize higher mill levy counties.

At the Committee's request, Department of Revenue staff provided estimates of the fiscal impact on each county of the second method (each county collecting fees on the vehicles in that county and distributing the funds locally).

Table I shows the difference in each county between the property tax collected in 1978 on automobiles and the amount that would be collected under the proposed fee system.

Forty-two counties would receive more under the fee system than under the current property tax system. Counties whose mill levies are considerably lower than the state average would receive significantly more. Rosebud County, where mill levies are among the lowest in the state, would collect $138,180 under the uniform fee system, or 70% more than collected in property taxes on cars this year. However, a few counties with higher-than-average mill levies would receive less. Cascade and Missoula, for example, would lose 15% of its current collections.

While Committee members were concerned about the revenue loss in these few counties, they felt that the actual loss would be less than these estimates because taxpayers who illegally registered vehicles outside high mill levy areas would register in the correct county once a uniform fee system is established.

The fiscal impact on the state will be very slight since the current tax on motor vehicles is almost exclusively by local governments. A portion of the fees will still be distributed to the State's education accounts.

TABLE I

COMPARISON BETWEEN THE PROPERTY TAX
COLLECTED IN 1978 ON CARS AND THE AMOUNT TO BE
COLLECTED UNDER THE PROPOSED FEE SYSTEM

License Plate No.	County	Collection Under Current System	Collection Under Proposed System	Difference
1	Silverbow	$ 844,772	$ 778,560	-$ 66,212
2	Cascade	1,781,718	1,522,560	- 259,158
3	Yellowstone	2,320,272	2,307,160	- 13,112
4	Missoula	1,652,131	1,413,860	- 238,271
5	Lewis & Clark	938,595	886,325	- 52,270
6	Gallatin	787,446	780,195	- 7,251
7	Flathead	864,043	968,470	+ 104,427
8	Fergus	243,043	257,870	+ 14,827
9	Powder River	35,311	69,395	+ 34,084
10	Carbon	144,727	172,055	+ 18,014
11	Phillips	77,630	94,190	+ 16,560
12	Hill	393,179	374,870	- 18,309
13	Ravalli	297,351	343,810	+ 46,458
14	Custer	295,247	281,845	- 13,402
15	Lake	235,891	287,795	+ 51,903
16	Dawson	264,286	257,445	- 6,841
17	Roosevelt	164,406	173,905	+ 9,498
18	Beaverhead	119,387	147,240	+ 27,852
19	Chouteau	133,177	161,540	+ 28,362
20	Valley	241,460	213,980	- 27,479
21	Toole	123,349	131,440	+ 8,090
22	Big Horn	86,412	145,940	+ 59,527
23	Musselshell	52,015	91,615	+ 39,600
24	Blaine	95,371	111,385	+ 16,013
25	Madison	86,583	108,675	+ 22,091
26	Pondera	128,652	148,585	+ 19,932
27	Richland	188,805	244,115	+ 55,309
28	Powell	118,936	136,160	+ 17,223
29	Rosebud	81,205	138,180	+ 56,974
30	Deer Lodge	347,347	273,630	- 73,717
31	Teton	136,359	154,790	+ 18,430
32	Stillwater	87,604	106,575	+ 18,971
33	Treasure	15,227	21,955	+ 6,727
34	Sheridan	106,550	138,370	+ 31,819
35	Sanders	110,117	135,380	+ 25,262
36	Judith Basin	48,094	61,440	+ 13,345
37	Daniels	72,692	66,575	- 6,117
38	Glacier	132,262	155,290	+ 23,027
39	Fallon	63,172	90,440	+ 27,267
40	Sweet Grass	50,801	61,470	+ 10,669
41	McCone	59,960	68,470	+ 8,509
42	Carter	25,846	35,535	+ 9,688
43	Broadwater	54,146	65,610	+ 11,463

44	Wheatland	36,043	44,815	+ 8,771
45	Prairie	33,121	41,355	+ 8,233
46	Granite	44,640	52,770	+ 8,129
47	Meagher	31,674	34,655	+ 2,980
48	Liberty	49,948	59,780	+ 9,831
49	Park	242,605	254,000	+ 11,394
50	Garfield	21,940	32,175	+ 10,234
51	Jefferson	120,448	119,730	- 718
52	Wibaux	23,835	32,365	+ 8,529
53	Golden Valley	16,052	22,145	+ 6,093
54	Mineral	66,570	59,175	- 7,395
55	Petroleum	7,811	11,010	+ 3,199
56	Lincoln	235,332	293,835	+ 58,499
STATEWIDE		$15,035,611	$15,241,545	+$205,934

Data presented by the Property Assessment Division, Department of Revenue, July 21, 1978

BONDING LIMITATIONS

Montana law limits the amount of general obligation indebtedness a local government may incur to a percentage of its taxable value, as determined for property tax purposes. The Committee was concerned that eliminating the property tax on certain motor vehicles and thus removing approximately 10% of the tax base of local governments could seriously hinder their ability to issue bonds. Members requested information on how close Montana's local government units were to their legal bonding limits.

A review of the state's 537 school districts, 56 counties, and 125 cities and towns indicates that the vast majority are far below the statutory bonding limits, so a 10% decrease in taxable value would not affect them.[4] However, there are a few exceptions, as detailed below.

Counties

Section 7-7-2101 limits counties' indebtedness to 18% of their taxable value.

Twenty-seven of the 56 counties had no general obligation debt as of June 30, 1978. Only six had indebtedness exceeding 5% of taxable value: Dawson (5.2%), Gallatin (7.0%), Madison (5.1%), Mineral (6.8%), Sanders (6.6%), and Teton (6.9%).[5]

Thus, a 10% decrease in taxable value would have little immediate effect on counties' bonding capacities.

Cities and towns

Cities and towns may, however, have more difficulty if the taxable value dropped and bonding limits remained constant.

Section 7-7-4201 limits cities' and towns' bonded indebtedness to 18% of their taxable value. However, this limit may be increased 10% if bonds are issued for sewer or water projects.

While 57 of Montana's 125 incorporated cities and towns had no general obligation bonds as of June 30, 1978, and 38 others had indebtedness of less than 5% of their taxable values, five had bonded indebtedness equalling more than 15% of their taxable values:[6]

Alberton	17.6%
Bridger	38.5
Forsyth	31.8
Nashua	32.3
Virginia City	24.8

A 10% decrease in taxable value could prevent these communities from issuing further bonds and may cause existing indebtedness to exceed current limits in others.

School districts

School districts' bonded indebtedness is limited to 29% of districts' taxable valuation (20-9-406).

While most of the state's 537 school districts have little or no general obligation debt, districts in areas of rapid population growth are having to issue bonds to finance new classrooms. About 3% of the districts have indebtedness exceeding 20% of their taxable value:

County	District	
Blaine	(E) 6	121.0%*
Broadwater	(E) 7	26.8
Cascade	(E) 97	20.9
	(H) B	27.0
Flathead	(E) 9	24.4
	(E) 15	24.5
	(H) 38	20.6
Gallatin	(E) 44	26.9
Jefferson	(E) 1	22.4
Lewis & Clark	(E) 3	21.7
	(E) 9	[illegible]
Silver Bow	(E) 1	[illegible]
Stillwater	(E) 5	24.4
	(H) 5	24.4
Yellowstone	(E) 52	21.7

*This district, composed mainly of a Hutterite school district, recently separated from the Harlem school district. It still shares the bonded indebtedness of the former district, but pays only that portion related to its taxable value.

Some of these districts could experience difficulty if taxable value dropped significantly and bonding limits remained constant.

SALARIES

Section 25-605 RCM 1947 contains a schedule for determining the salaries of county treasurers, clerks and recorders, clerks of court, county attorneys, sheriffs, county assessors, county superintendents of schools, and county surveyors. The salary is determined by adding the sum in column A (based on the population of the county) to the sum in column B (based on the taxable value of the county). A drop in taxable value can lower officials' salaries.

However, a 10% decrease in taxable value will have no effect on many officials' salaries, as the range of taxable value in each category exceeds this percentage. For example, if Garfield county's 1978 taxable value of $6,906,698 were decreased to $6,216,028 (a 10% decrease), its salary category would not change.

$6,000,000 to $6,999,999 . . . . . $5,394

The largest possible decrease in each official's salary in counties in which the 10% loss in taxable value dropped salaries into a lower bracket would be $470 per year. In most cases, the decrease would be less, as shown below.

The Committee decided not to act on this question, since a bill to change the method of calculating officials' salaries will be introduced in the 1979 session.

REVENUE SHARING

Since Montana's local governments receives nearly $15,000,000 in federal revenue-sharing moneys each year, the Committee wanted to be sure that the proposed fee system would meet the federal requirements for "general tax effort", one of the factors that determines the amount of revenue-sharing funds that each local government receives. The state and local taxes counted toward "general tax effort" are: "the compulsory contributions enacted by the state (or by any unit of local government or other political subdivision of the state) for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes."

The Official Tax Classification Manual issued by the Bureau of Census lists general property taxes, under which the personal property on motor vehicles now qualifies, as "general tax effort". However, license taxes "exacted...for revenue raising",...for a business or nonbusiness privilege, at a flat rate or measured by various bases..." also qualify, according to Census Bureau staff.[5]

After reviewing the Committee's draft bill, John Coleman, Assistant Chief, Government's Division, Bureau of Census, said, "I would expect that the imposition of the fee in lieu of tax would have minimal impact on general revenue sharing allocations."

SUMMARY

Having satisfied themselves that the change would not harm local governments, the Committee unanimously moved to recommend the attached bill creating a motor vehicle fee in lieu of property tax to the 46th Legislature.*

* Present: Senators Goodover, Towe, Turnage, Watt; Representatives Fabrega, Fagg, Huennekens, Sivertsen, and Vincent.
Absent: Senators Mathers and Fasbender and Representative Williams.

FOOTNOTES

1. Information from Dennis Burr, Administrator, Property Tax Division, Department of Revenue, 27 November 1978.

2. Montana Taxpayers' Association, Montana Property Taxation, 1977-78.

3. Information from Mantz Hutchinson, Assistant Administrator, Property Tax Division, Department of Revenue, 1 December 1978.

4. This research is based on FY '78 bonded indebtedness figures and calendar 1977 taxable values, since later figures were not readily available at the time of compilation. Updated 1978 taxable value figures, including the reappraised value of real property, would probably be slightly higher in most taxing districts. However, the 1977 figures are useable for two reasons:

1) the "floating formula" in HB 70 equalized any increase, caused only by reappraisal, in the statewide taxable value by reducing the tax rate for most real property from 12% to 8.55% and;

2) most local governments are so far below statutory limits that a slight increase in taxable value does not significantly affect the ratio between indebtedness and taxable value.

5. Figures on bonded indebtedness from Local Government Division, Department of Community Affairs. Taxable value figures from Montana Taxpayers Association, Montana Property Tax Mill Levies, 1977-78. DCA emphasizes that their data was "compiled from unaudited returns...Accordingly, we express no opinion as to the fairness of these amounts."

6. Ibid

7. Calculated from information compiled by the Office of Superintendent of Public Instruction.

_____ BILL NO. _____

INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A FEE IN LIEU OF PROPERTY TAX FOR AUTOMOBILES, LIGHT TRUCKS, MOTOR HOMES, TRAVEL TRAILERS, CAMPERS, MOTORCYCLES, AND SNOWMOBILES; AMENDING SECTIONS 10-2-301, 15-6-101, 15-6-110, 15-6-111, 15-6-113, 15-6-201, 15-8-201, 15-8-202, 15-30-121, 15-31-114, 15-31-406, 15-50-207, 23-2-611, 23-2-612, 23-2-616, 23-2-617, 23-2-618, 23-2-642, 61-1-102, 61-3-303, 61-3-317, 61-3-322, 61-3-441, 61-3-442, 61-3-501, 61-3-502, 61-3-503, 61-3-504, 61-3-506, 61-3-509, 61-3-601, 61-3-606, AND 61-3-701, MCA; AND REPEALING SECTIONS 15-6-121 AND 15-8-203, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Light truck. "Light truck" means a truck with a manufacturer's rated capacity of three-quarters of a ton or less.

NEW SECTION. Section 2. Motor home. "Motor home" means a self-propelled motor vehicle originally designed or permanently altered to provide facilities for human habitation.

NEW SECTION. Section 3. Travel trailer. "Travel trailer" means a trailer 32 feet or less in length and 8

feet or less in width designed or permanently altered to provide facilities for human habitation.

NEW SECTION. Section 4. Vehicle age. The age of a vehicle is determined by subtracting the manufacturer's designated model year from the current calendar year.

NEW SECTION. Section 5. Fee in lieu of property tax for certain vehicles. There is a fee in lieu of personal property taxes imposed on automobiles, light trucks, motor homes, travel trailers, campers, and motorcycles. The fee imposed is in addition to annual registration fees.

NEW SECTION. Section 6. Schedule of fees for automobiles, light trucks, motor homes, travel trailers, and campers weighing 3,000 pounds or less. (1) The owner of an automobile, light truck, or motor home weighing 3,000 pounds or less, manufacturer's shipping weight, shall pay a fee based on the age of the vehicle according to the following schedule:

less than 2 years old	$165
2 years old and less than 3 years old	145
3 years old and less than 4 years old	115
4 years old and less than 5 years old	85
5 years old and less than 6 years old	70
6 years old and less than 7 years old	50
7 years old and less than 8 years old	40
8 years old and less than 9 years old	30

9 years old and less than 10 years old 20

10 years old and less than 11 years old 15

11 years old and less than 12 years old 10

12 years old and older 5

(2) The owner of a travel trailer or camper weighing 3,000 pounds or less shall pay a fee of one-half of the amount required for the age of the trailer or camper under the schedule in subsection (1).

NEW SECTION. Section 7. Schedule of fees for automobiles, light trucks, motor homes, travel trailers, and campers weighing more than 3,000 pounds. (1) The owner of an automobile, light truck, or motor home weighing more than 3,000 pounds, manufacturer's shipping weight, shall pay a fee based on the age of the vehicle according to the following schedule:

less than 2 years old $205

2 years old and less than 3 years old 185

3 years old and less than 4 years old 150

4 years old and less than 5 years old 115

5 years old and less than 6 years old 90

6 years old and less than 7 years old 70

7 years old and less than 8 years old 50

8 years old and less than 9 years old 40

9 years old and less than 10 years old 30

10 years old and less than 11 years old 20

11 years old and less than 12 years old 15

12 years old and older 10

(2) The owner of a travel trailer or camper weighing more than 3,000 pounds shall pay a fee of one-half of the amount required for the age of the trailer or camper under the schedule in subsection (1).

NEW SECTION. Section 8. Schedule of fees for motorcycles. (1) Except as provided in 15-6-201, the owner of a motorcycle with a piston displacement of more than 100 cubic centimeters shall pay a fee based on the age of the motorcycle according to the following schedule:

less than 3 years old $30

3 years old and less than 4 years old 25

4 years old and less than 6 years old 15

6 years old and less than 7 years old 10

7 years old and older 5

(2) Except as provided in 15-6-201, the owner of a motorcycle with a piston displacement of 100 cubic centimeters or less shall pay a fee of one-half of the amount required for the age of the motorcycle under the schedule in subsection (1) except that the minimum fee for a motorcycle under this subsection is $5.

NEW SECTION. Section 9. Dealers exempt from fee. (1) The fee in lieu of property tax need not be paid by a dealer for automobiles, light trucks, motor homes, travel trailers,

campers, or motocycles held for sale or used in the dealer's business in selling or demonstrating the vehicles. Vehicles exempt under this section may not be used for the personal use of the dealer, his family, or employees or for any use not necessary in the pursuit of business.

(2) The department of revenue or the county treasurer may investigate the status of any vehicle for which an exemption is claimed under subsection (1). If it is determined that the vehicle is not exempt the department or the county treasurer may require payment of the fee in lieu of tax.

NEW SECTION. Section 10. Fee in lieu of property tax for snowmobiles. (1) There is a fee in lieu of personal property taxes imposed on snowmobiles.

(2) The owner of a snowmobile shall pay a fee based on the age of the snowmobile according to the following schedule:

less than 2 years old	$30
2 years old and less than 3 years old	25
3 years old and less than 4 years old	20
4 years old and less than 7 years old	15
7 years old and less than 10 years old	10
10 years old and older	5

(3) The age of a snowmobile is determined by subtracting the manufacturer's designated model year from

the current calendar year.

(4) The fee in lieu of property tax need not be paid by a dealer of snowmobiles for snowmobiles that constitute inventory of the dealership.

Section 11. Section 61-3-509, MCA, is amended to read:

"61-3-509. Disposition of taxes and fees in lieu of tax. The county treasurer shall credit all taxes and fees in lieu of tax collected on motor vehicles ~~so--collected~~ to a motor vehicle suspense fund~~,--and--at~~

(2) At some time between March 1 and March 10 of each year and every 60 days thereafter, the county treasurer shall distribute the ~~same~~ money in the motor vehicle suspense fund in the relative proportions required by the levies for state, county, school district, and municipal purposes in the same manner as other personal property taxes are distributed."

NEW SECTION. Section 12. Disposition of fees in lieu of tax on snowmobiles. The county treasurer shall credit all fees in lieu of tax collected on snowmobiles to the county motor vehicle suspense fund provided for in 61-3-509.

Section 13. Section 61-3-441, MCA, is amended to read:

"61-3-441. ~~Tax-paid~~ Fee-paid decal required on camper --application for decal -- application fee -- issuance. (1) ~~No camper,--subject--to--taxation--in--Montana,--shall--be--operated by--any~~ person may operate a camper ~~in--the--state--of--Montana~~

on the public highways or streets in Montana unless there is displayed in a conspicuous place thereon a decal as visual proof that ~~Montana personal property taxes have~~ the fee in lieu of property tax has been paid thereon for the current year.

(2) Application for the issuance of ~~such tax paid~~ the decal shall be made to the department of revenue or the county treasurer upon forms to be furnished for this purpose, which may be obtained from the department or at the county ~~assessor's~~ treasurer's office in the county wherein the owner resides, and is to provide for substantially the following information:

(a) name of owner;

(b) address;

(c) name of manufacturer;

(d) model number;

(e) make;

(f) year of manufacture;

(g) statement evidencing ~~assessment and~~ payment of ~~property tax~~ the fee in lieu of property tax; and

(h) such other information as the department may require.

(3) ~~Said~~ The application ~~shall~~ must be signed by the county treasurer and transmitted by him to the department accompanied by a an application fee of $1. Upon receipt of

the application in approved form the department or county treasurer shall issue to the applicant a decal in the style and design prescribed by the department and of a different color than the preceding year, numbered numerically."

Section 14. Section 61-3-606, MCA, is amended to read:

"61-3-606. Penalty for violation of camper decal requirement. Operation of a camper ~~in violation of 61-3-441~~ without a fee-paid decal is a misdemeanor punishable by a fine not to exceed $50."

Section 15. Section 61-3-442, MCA, is amended to read:

"61-3-442. Annual application for decals. Application may be made to the department of revenue or county treasurer for the issuance of ~~tax-paid~~ camper decals annually when the motor vehicle to which the camper is customarily attached is registered."

Section 16. Section 61-3-303, MCA, is amended to read:

"61-3-303. Application for registration. (1) Every owner of a motor vehicle operated or driven upon the public highways of this state shall for each motor vehicle owned, except as herein otherwise expressly provided, file or cause to be filed in the office of the county treasurer where the motor vehicle is owned or taxable an application for registration or reregistration upon a blank form to be prepared and furnished by the division. The application shall contain:

(a) name and address of owner, giving county, school district, and town or city within whose corporate limits the motor vehicle is taxable;

(b) name and address of conditional sales vendor, mortgagee, or holder of other lien against the motor vehicle, with statement of amount owing under such contract or lien;

(c) description of motor vehicle, including make, year model, engine or serial number, manufacturer's model or letter, gross weight, type of body, and if truck, the rated capacity;

(d) in case of reregistration, the license number for the preceding year; and

(e) such other information as the division may require.

(2) A person who files an application for registration or reregistration of a motor vehicle, except of a mobile home as defined in 15-1-101(1), shall upon the filing of the application pay to the county treasurer:

(a) ~~pay to the county treasurer~~ the registration fee, as provided in 61-3-311 and 61-3-321; ~~and~~

(b) the new truck sales tax if required by 61-3-502; and

~~(b)~~(c) pay the personal property taxes assessed or ~~the new motor vehicle sales tax against the vehicle~~ the fee in

lieu of property tax whichever is applicable to the vehicle being registered or reregistered for the current year of registration, unless the same shall have been theretofore paid for the year, before the application for registration or reregistration may be accepted by the county treasurer.

(3) The county treasurer may make full and complete investigation of the tax status of the vehicle. Any applicant for registration or reregistration must submit proof from the tax records of the proper county at the request of the county treasurer."

Section 17. Section 61-3-322, MCA, is amended to read:

"61-3-322. Certificates of registration -- issuance. (1) Upon completion of the application for registration, on forms furnished by the division, the county treasurer shall file one copy in his office and issue to the applicant two copies of the application marked "Owner's Certificate of Registration and Tax Receipt", one of which shall be marked "file copy".

(2) The certificate of registration shall contain upon the face thereof:

(a) the date issued;

(b) the registration number assigned to the owner and the vehicle;

(c) the name and complete address of the owner, or the names and addresses of joint owners;

(d) the name and complete address of any conditional sales vendor, and also the name and address of any other lienor as shown by said application;

(e) a description of the registered vehicle including the year built and serial number, if any;

(f) any lien against such motor vehicle and the amount due at the date of registration; and

(g) such other statement of facts as may be determined by the division.

(3) Every owner, upon receiving a registration receipt shall write his signature thereon with pen and ink in the space provided. Every such registration receipt or a notarized photostatic copy thereof or a duplicate thereof furnished by the division shall at all times be carried in the vehicle to which it refers or shall be carried by the person driving or in control of such vehicle, who shall display the same upon demand of a police officer or any officer or employee of the division or the highway department.

~~(4) Upon receipt of application for registration, in quintuplet, and payment of license fees and taxes as herein provided, the county treasurer shall:~~

~~(a) file one copy of said application in his office;~~

~~(b) issue to the applicant two copies of the application entitled "Owner's Certificate of Registration~~

~~and Tax Receipt" one of which shall be marked "file copy";~~ and

~~(c) forward one copy to the county clerk and recorder.~~

~~(5)~~(4) The county treasurer shall daily forward to the division one copy of ~~the application~~ all applications for registration received that day.

~~(6)~~(5) It shall not be necessary for the county treasurer, in said receipt, to segregate the amount of said taxes for state, county, school district, and municipal purposes."

Section 18. Section 61-3-317, MCA, is amended to read:

"61-3-317. New registration required for transferred vehicle -- grace period -- penalty -- display of proof of purchase. (1) Except as otherwise provided herein, the new owner of ~~the~~ a transferred motor vehicle shall have ~~the~~ a grace period of 20 calendar days from the date of purchase to make application and pay the taxes as provided by part 5 of this chapter or the fee in lieu of property tax as provided by [section 5 of this act] unless the tax or fee had been paid for the year, as if the same was being registered for the first time in that registration year. If the motor vehicle was not purchased from a duly licensed motor vehicle dealer as provided in this chapter, it shall not be a violation of this chapter or any other law for the purchaser to operate the vehicle upon the streets and

highways of this state without a certificate of registration during the 20-day period; provided, that at all times during that period a bill of sale or other proof of purchase reciting the date of purchase shall be clearly displayed in the rear window of the motor vehicle. Registration and license fees collected under 61-3-321 are not required to be paid when a license plate is transferred under this section and 61-3-335. Failure to make application within the time provided herein shall subject the purchaser to a penalty of $10. The penalty shall be collected by the county treasurer at the time of registration, and shall be in addition to the fees otherwise provided by law.

(2) Any purchaser of a new or used motor vehicle from a duly licensed motor vehicle dealer shall have ~~the~~ a grace period of 20 calendar days from the date of purchase to make application for registration and to obtain registration plates, and it shall not be a violation of this chapter or any other law for such purchaser to operate such vehicle upon the streets and highways of this state without a certificate of registration and registration plates during the 20-day period; provided that at all times during said period the sticker issued by the dealer at the time of purchase shall remain affixed to said vehicle as provided in 61-4-111. Failure to make such application within the time provided herein subjects the purchaser to a penalty of $10.

The penalty is to be collected by the county treasurer at the time of registration and is in addition to the fees otherwise provided by law."

Section 19. Section 10-2-301, MCA, is amended to read:

"10-2-301. Free license plates to disabled veterans. Any person who is a veteran of the armed service of the United States and 100% disabled because of an injury ~~which~~ that has been determined by the veterans administration to be service connected and who is a citizen and resident of the state of Montana and who is the owner of a passenger automobile or ~~of a~~ truck up to and including three-quarter ton GVW-rated capacity ~~shall be provided with~~ is entitled to receive free license plates ~~upon payment of personal property tax equal to 1% of the taxable value for such automobile or truck and~~ upon proof of 100% service-connected disability."

Section 20. Section 61-1-102, MCA, is amended to read:

"61-1-102. Motor vehicle. (1) "Motor vehicle" means every vehicle which is self-propelled and every vehicle which is propelled by electric power obtained from overhead trolley wires but not operated upon rails, excluding motorcycles.

(2) For 61-10-101 through 61-10-110, the term "motor vehicle" is defined in subsection (3).

(3) "Motor vehicle" means every vehicle which is

self-propelled and every vehicle which is propelled by electric power obtained from overhead trolley wires but not operated upon rails.

~~(4) The word "motor vehicle" as used in 61-3-502 means automobiles, auto trucks, and motorcycles, propelled by their own power, used upon the public highways of the state.~~

~~(5)~~(4) The term "motor vehicle" as used in part 4 of chapter 4 shall mean every self-propelled vehicle moving over the highways of this state, whether patented or unpatented.

~~(6)~~(5) "Motor vehicle" means a self-propelled vehicle including without limitation an automobile, motorbus, motorcycle, truck, and truck tractor.

~~(7)~~(6) The word "motor vehicle" as used in [this title] shall include trailers, semitrailers, automobiles, auto trucks, motorcycles, cycle motors, and all other vehicles propelled by their own power, used upon the public highways of the state, excepting steam or gas tractors, or self-propelled wheelchairs or similar vehicles operated by invalids.

~~(8)~~(7) The term "motor vehicle" as used in 61-3-202 and 61-3-322 includes automobile, truck, motorcycle-type vehicle, and semitrailer, trailer and housetrailer.

~~(9)~~(8) The words "motor vehicle" as used in chapters 3 and 4 shall include all vehicles which are self-propelled,

except road rollers, traction engines, and railroad cars, farm tractors, and motorcars run upon stationary rails or tracks.

~~(10)~~(9) "Motor vehicle", as used in part 1, chapter 6, means every self-propelled vehicle which is designed for use upon a highway, including trailers and semitrailers designed for use with such vehicles (except traction engines, road rollers, farm tractors, tractor cranes, power shovels, and well drillers) and every vehicle which is propelled by electric power obtained from overhead wires but not operated upon rails.

~~(11)~~(10) "Motor vehicle", as used in 61-3-711 through 61-3-733, means every vehicle which is self-propelled and every vehicle which is propelled by electric power obtained from overhead trolley wires, but not operated upon rails."

Section 21. Section 61-3-501, MCA, is amended to read:

"61-3-501. When vehicle property tax, new truck tax, and fee in lieu of tax ~~is~~ due. (1) Property taxes, the fee in lieu of property tax, and new ~~car~~ truck taxes shall be paid on the date of registration or reregistration of the vehicle.

(2) If the anniversary date for reregistration of a vehicle ~~shall--pass~~ passes while the vehicle is owned and held for sale by a licensed new or used car dealer, property taxes or the fee in lieu of property tax ~~shall~~ abate on such

vehicle properly reported with the department of revenue until the vehicle is sold and thereafter the purchaser shall pay the pro rata balance of the taxes or the fee in lieu of property tax due and owing on the vehicle.

(3) In the event a vehicle's registration period is changed under 61-3-315, all taxes, the fee in lieu of property tax, and other fees due thereon shall be prorated and paid from the last day of the old period until the first day of the new period in which the vehicle shall be registered. Thereafter taxes, the fee in lieu of property tax, and other fees must be paid from the first day of the new period for a minimum period of 1 year. When the change is to a later registration period, taxes and fees shall be prorated and paid based on the same tax year as the original registration period. Thereafter, during the appropriate anniversary registration period, each vehicle shall again register or reregister and shall pay all taxes and fees due thereon for a 12-month period."

Section 22. Section 61-3-502, MCA, is amended to read:

"61-3-502. Sales tax on new ~~motor--vehicles~~ trucks exceeding three-quarters of a ton capacity -- exemptions. (1) In consideration of the right to use the highways of the state, there shall be imposed a tax upon all sales of new ~~motor-vehicles~~ trucks with a manufacturer's rated capacity exceeding three-quarters of a ton for which a license is

sought and an original application for title is made. The tax shall be paid by the purchaser when he applies for his original Montana license through the county treasurer.

(2) The sales tax shall be:

(a) 1 1/2% of the F.O.B. factory list price or F.O.B. port of entry list price, during the first quarter of the year or prorated one-twelfth for each month or part of month for a registration period other than a calendar year or calendar quarter;

(b) 1 1/8% of the list price during the second quarter of the year;

(c) 3/4 of 1% during the third quarter of the year;

(d) 3/8 of 1% during the fourth quarter of the year.

(3) If the manufacturer or importer fails to furnish the F.O.B. factory list price or F.O.B. port of entry list price, the department may use published price lists.

(4) The proceeds from this tax shall be remitted to the state treasurer every 30 days for credit to the state highway account of the earmarked revenue fund.

(5) The new ~~vehicle~~ truck is not subject to any other assessment or taxation or fees in lieu of tax during the calendar year in which the original application for title is made.

(6) (a) The applicant for original registration of any wholly new and unused ~~motor---vehicle~~ truck with a

manufacturer's rated capacity exceeding three-quarters of a ton or new ~~motor-vehicle~~ truck with a manufacturer's rated capacity exceeding three-quarters of a ton furnished without charge by the dealer to the school district for use as a traffic education motor vehicle by a school district operating a state-approved traffic education program within the state, whether or not previously licensed or titled to the school district~~, except a mobile home as defined in 15-1-101(1)~~, acquired by original contract after January 1 of any year shall be required, whenever such ~~vehicle~~ truck has not been otherwise assessed, to pay the ~~motor-vehicle~~ new truck sales tax provided by this section irrespective of whether the ~~vehicle~~ truck was in the state of Montana on January 1 of the year.

(b) No such ~~motor-vehicle~~ truck may be registered or licensed under the provisions of this subsection unless the application for registration is accompanied by a statement of origin to be furnished by the dealer selling the ~~vehicle~~ truck showing that the ~~vehicle~~ truck has not previously been registered or owned, except as otherwise provided herein, by any person, firm, corporation, or association that is not a new motor vehicle dealer holding a franchise or distribution agreement from a new ~~car~~ truck manufacturer, distributor, or importer.

(7) ~~Motor-vehicles~~ Trucks operating exclusively for

transportation of persons for hire within the limits of incorporated cities or towns and within 15 miles from such limits are exempt from subsection (1). ~~Motor vehicles~~ Trucks brought or driven into Montana by a nonresident migratory bona fide agricultural worker temporarily employed in agricultural work in this state where those ~~motor vehicles~~ trucks are used exclusively for transportation of agricultural workers are also exempt from subsection (1). ~~Vehicles~~ Trucks lawfully displaying a licensed dealer's plate as provided in 61-4-102 are exempt from subsection (1) when moving to or from a dealer's place of business when unladen or laden with dealer's property only, and in the case of ~~vehicles~~ trucks having a gross laden weight of less than 24,000 pounds, while in the process of demonstration in the course of the dealer's business."

Section 23. Section 61-3-503, MCA, is amended to read:

"61-3-503. Assessment. (1) A person who files an application for registration or reregistration of a motor vehicle, ~~except~~ other than a vehicle subject to a fee in lieu of property tax or ~~of~~ a mobile home as defined in 15-1-101(1), shall before filing such application with the county treasurer submit the same to the county assessor of the county. The county assessor shall enter on the application in a space to be provided for that purpose the market value and taxable value of the vehicle for the year

for which the application for registration is made.

(2) Except as provided in subsection (3) motor vehicles~~, except~~ other than vehicles subject to the fee in lieu of property tax and mobile homes as defined in 15-1-101(1), are assessed for taxes on January 1 in each year irrespective of the time fixed by law for the assessment of other classes of personal property and irrespective of whether the levy and tax may be a lien upon real property within the state. In no event may any motor vehicle be subject to assessment, levy, and taxation more than once in each year.

(3) Vehicles subject to the provisions of 61-3-313 through 61-3-316 shall be assessed as of the first day of the year in which the registration period occurs and a lien for taxes and fees due thereon shall occur on the anniversary date of the registration and shall continue thereafter until such fees and taxes shall have been paid."

Section 24. Section 61-3-504, MCA, is amended to read:

"61-3-504. Computation of tax. The amount of ~~taxes~~ tax on ~~the~~ a motor vehicle~~, except~~ other than a vehicle subject to a fee in lieu of property tax or a mobile home as defined in 15-1-101(1), is computed and determined by the county treasurer on the basis of the levy of the year preceding the current year of application for registration or reregistration. The determination is entered on the

application form in a space provided therefor."

Section 25. Section 61-3-506, MCA, is amended to read:

"61-3-506. Rules. (1) The department of revenue shall adopt rules for the payment of property taxes and the department of highways shall adopt rules for the payment of new ~~car~~ truck taxes under the provisions of 61-3-313 through 61-3-316 and 61-3-501. The department of revenue may adopt regulations for the proration of taxes for the implementation and administration of 61-3-313 through 61-3-316 and 61-3-501, but shall specifically provide that new ~~car~~ truck taxes shall be for a full registration period of not less than 11 months and not more than 13 months.

(2) The department of revenue shall adopt rules for the payment of fees in lieu of property tax for automobiles, light trucks, motor homes, travel trailers, campers, and motorcycles."

Section 26. Section 61-3-701, MCA, is amended to read:

"61-3-701. Foreign vehicles used in gainful occupation to be registered -- reciprocity. (1) Before any foreign licensed motor vehicle ~~shall~~ may be operated on the highways of this state for hire, compensation, or profit, or before the owner and/or user thereof uses the vehicle if such owner and/or user is engaged in gainful occupation or business enterprise, in the state, including highway work, the owner of such vehicle shall make application to a county treasurer

for registration, upon an application form furnished by the division. Upon satisfactory evidence of ownership submitted to ~~such~~ the county treasurer and the payment of property taxes as ~~is~~ required by 15-8-201 ~~through--15-8-203~~, 15-8-202, or 15-24-301 or the fee in lieu of property tax as required by [section 5 of this act], whichever is applicable to the vehicle being registered, the treasurer shall accept the application for registration and shall collect the regular license fee required for the vehicle.

(2) The treasurer shall thereupon issue to the applicant a copy of the application entitled "Owner's Certificate of Registration Receipt" and forward a duplicate copy of certificate of registration to the division. The treasurer shall at the same time issue to the applicant the proper license plates or other identification markers, which shall at all times be displayed upon such vehicle when operated or driven upon roads and highways of this state during the period of the life of such license.

(3) The registration receipt ~~shall~~ does not constitute evidence of ownership, but shall only be used for registration purposes. No Montana certificate of title ~~shall~~ may be issued for this type of registration.

(4) This section ~~shall~~ is not be applicable to any vehicle covered by a valid and existing reciprocal agreement or declaration entered into under the provisions of the laws

of Montana."

Section 27. Section 61-3-601, MCA, is amended to read:

"61-3-601. Penalty for violations. The violation of any of the provisions of 61-3-101, 61-3-201, 61-3-202, 61-3-301, 61-3-302, 61-3-303, as amended, 61-3-311, 61-3-312, 61-3-322, as amended, 61-3-331, 61-3-332, 61-3-333, 61-3-411, 61-3-421, 61-3-425, 61-3-503, as amended, 61-3-504, as amended, 61-3-505, or 61-3-509, as amended shall constitute a misdemeanor and shall be punishable by a fine not exceeding $25. Nothing herein contained shall prevent the prosecution of a person for an offense committed under any other law."

Section 28. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with 15-6-102 through ~~15-6-121~~ 15-6-120."

Section 29. Section 15-6-110, MCA, is amended to read:

"15-6-110. Class nine property -- description -- taxable percentage. (1) Class nine property includes:

(a) ~~automobiles, motor trucks, and other power driven cars and vehicles of all kinds except mobile homes, motorcycles, aircraft, camper trailers, and truck campers~~

trucks exceeding three-quarters of a ton manufacturer's rated capacity; and

(b) furniture and fixtures used in commercial, office, and hotel activities, except improvements included in class thirteen.

(2) Class nine property is taxed at 13.3% of its market value."

Section 30. Section 15-6-113, MCA, is amended to read:

"15-6-113. Class twelve property -- description -- taxable percentage. (1) Class twelve property includes:

(a) boats and all watercraft;

(b) aircraft; and

~~(c) motorcycles; and~~

~~(d)~~(c) large farm machinery valued in the official guide tractors and farm implements and department valuation schedules.

(2) Class twelve property is taxed at 11% of its market value."

Section 31. Section 15-6-111, MCA, is amended to read:

"15-6-111. Class ten property -- description -- taxable percentage. (1) Class ten property includes:

(a) aerial, surface, and portable ski lifts and ski tows, including the towers, cables, ropes, sheave assemblies, conveying devices, power units, and all accessories; and

(b) manufacturing and mining machinery, fixtures, and supplies, except those included in class eighteen; ~~and~~

~~(c) camper trailers and truck campers valued in the "N.A.B.A. Recreational Vehicle Appraisal Guide".~~

(2) Class ten property is taxed at 12% of market value."

Section 32. Section 15-6-201, MCA, is amended to read:

"15-6-201. Exempt categories. (1) (a) The property of the United States, the state, counties, cities, towns, school districts, irrigation districts organized under the laws of Montana and not operating for profit, municipal corporations, public libraries; buildings, with land they occupy and furnishings therein, owned by a church and used for actual religious worship and for residences of the clergy, together with adjacent land reasonably necessary for convenient use of such buildings owned by a church; such other property as is used exclusively for agricultural and horticultural societies, for educational purposes, hospitals, and all property, both real and personal, without limitation as to amount except that real property owned shall not exceed 640 acres, owned and held by any association or corporation organized under Title 35, chapter 20 or 21, Cemeteries, provided such cemeteries and any land claimed to be exempt are not maintained and operated for private or corporate profit; institutions of purely public

charity; evidence of debt secured by mortgages of record upon real or personal property in the state of Montana; and public art galleries and public observatories not used or held for private or corporate profit are exempt from taxation, but no more land than is necessary for such purpose is exempt.

(b) As used in this subsection, the term "institutions of purely public charity" includes organizations owning and operating facilities for the care of the retired or aged or chronically ill, which are not operated for gain or profit, and the terms "public art galleries" and "public observatories" mean only such art galleries and observatories, whether of public or private ownership, as are open to the public without charge or fee at all reasonable hours and are used for the purpose of education only.

(2) All household goods and furniture, including clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence are exempt from taxation.

(3) A truck canopy cover or topper weighing less than 300 pounds and having no accommodations attached is exempt from taxation and the fee in lieu of tax.

(4) A motorcycle, rated at 2 horsepower or less is

exempt from taxation and the fee in lieu of tax."

Section 33. Section 15-8-201, MCA, is amended to read:

"15-8-201. General assessment day. (1) The department of revenue or its agent must, between January 1 and the second Monday of July in each year, ascertain the names of all taxable inhabitants and assess all property subject to taxation in each county. The department or its agent must assess property to the person by whom it was owned or claimed or in whose possession or control it was at midnight of January 1 next preceding. It must also ascertain and assess all mobile homes arriving in the county after midnight of January 1 next preceding. No mistake in the name of the owner or supposed owner of real property, however, renders the assessment invalid.

(2) The procedure provided by this section may not apply to:

(a) motor vehicles that are required by 15-8-202 to be assessed on January 1 or upon their anniversary registration date or vehicles subject to the fee in lieu of property tax;

(b) livestock which are required by 15-24-908 to be assessed on an average inventory basis in each county;

(c) property defined in 61-1-104(2) as "special mobile equipment" that is subject to assessment for personal property taxes on the date that application is made for a special mobile equipment plate; and

(d) mobile homes held by a distributor or dealer of mobile homes as a part of his stock-in-trade~~;--and~~.

~~(e)--snowmobiles-that-are-required-by--15-8-203--to--be assessed-as-of-July-1~~.

(3) Credits must be assessed as provided in 15-1-101(1)(b)."

Section 34. Section 15-8-202, MCA, is amended to read:

"15-8-202. Motor vehicle assessment. (1) (a) The department or its agent must, in each year, ascertain and assess all motor vehicles ~~except~~ other than vehicles subject to a fee in lieu of property tax and mobile homes in each county subject to taxation as of January 1 or as of the anniversary registration date of those vehicles subject to 61-3-313 through 61-3-316 and 61-3-501. The motor vehicles shall be assessed in each year to the persons by whom owned or claimed or in whose possession or control they were at midnight of January 1 or the anniversary registration date thereof, whichever is applicable.

~~(b)--A--camper-which-is-customarily-attached-to-a-motor vehicle-shall--be--assessed--at--the--time--the--vehicle--is assessed~~.

~~(c)~~(b) No tax may be assessed against motor vehicles that constitute inventory of motor vehicle dealers as of January 1. These vehicles and all other motor vehicles brought into the state subsequent to January 1 as motor

vehicle dealers' inventories shall be assessed to their respective purchasers as of the dates the vehicles are registered by the purchasers.

~~(d)~~(c) "Purchasers" includes dealers who apply for registration or reregistration of motor vehicles, except as otherwise provided by 61-3-502.

~~(e)~~(d) Goods, wares, and merchandise of motor vehicle dealers, other than new motor vehicles and new mobile homes, shall be assessed at market value as of January 1.

(2) In all cases where taxes or a fee in lieu of tax were required to be paid, the applicant for registration or reregistration of a motor vehicle, other than a mobile home, is not relieved of the duty of paying taxes or the fee in lieu of taxes if ~~the taxes~~ they have not been paid by a prior applicant or owner."

Section 35. Section 23-2-611, MCA, is amended to read:

"23-2-611. Certificate of ownership. (1) No snowmobile may be operated upon any public lands, trails, easements, lakes, rivers, streams, roadways or shoulders of roadways, streets, or highways, unless a certificate of ownership has first been obtained from the division of motor vehicles in accordance with the laws of this state.

(2) ~~Before such certificate may be obtained, the~~ The owner of a snowmobile shall ~~make application~~ apply for a certificate of ownership with the county treasurer of the

county in which the owner resides, upon forms to be furnished for this purpose ~~which shall~~ that must require the following information:

(a) name of owner;

(b) residence by town and county;

(c) business or home mail address;

(d) name and address of lien holder;

(e) amount due under contract or lien;

(f) name and address of manufacturer;

(g) model number or name;

(h) serial number; and

(i) name and address of dealer or other person from whom acquired.

(3) The application ~~shall~~ must be signed by at least one owner or by a properly authorized officer or representative of the owner.

(4) If a certificate of ownership for a snowmobile has previously been issued under the provisions of this part, the application for a new certificate must be accompanied by the immediately previous certificate or by an affidavit upon a prescribed form stating under oath that the vehicle had not been operated during the immediately previous year. This subsection does not apply to snowmobiles that are purchased as new and unused machines or that were operated when the provisions of this part were not in force and effect.

(5) Upon completion of the application in quintuplicate on forms furnished by the division of motor vehicles, the county treasurer shall issue to the applicant two copies of the application, one of which shall be marked "file copy", and forward one copy and the original application to the division, which shall cause to be entered the information contained in the application upon the corresponding records of its office, and shall furnish the applicant a certificate of ownership which shall contain the information found on the application and a permanent ownership number. The certificate of ownership is not required to be renewed annually and is valid as long as the person holding it owns the snowmobile.

(6) The owner shall at all times retain possession of the certificate of ownership, except when the same is being transmitted to and from the division for endorsement or cancellation. The owner of a snowmobile shall display his certificate of ownership number on both sides of the cowling of the snowmobile and shall maintain the number in legible condition at all times. The number shall read from left to right and be marked in Arabic numerals, in block characters of good proportion, and shall be a minimum of 3 inches in height, excluding border or trim, and of a color that contrasts with the color of the background.

(7) Upon application for a certificate of ownership, a

fee of $3 shall be paid to the county treasurer, one-half of which ~~fee~~ shall be forwarded by the county treasurer to the division of motor vehicles.

(8) Before a ~~tax-paid~~ decal indicating that the fee in lieu of property tax has been paid on a snowmobile for the current year may be applied for pursuant to the laws of this state, the owner must present the certificate of ownership or copy of completed application therefor as a prerequisite to completing the application for the ~~tax-paid~~ decal."

Section 36. Section 23-2-612, MCA, is amended to read:

"23-2-612. Transfer of interest. (1) Except as provided in subsection (3), upon a transfer of any certificate of ownership to a snowmobile registered as required under the provisions of this part, the person whose title or interest is to be transferred shall write his signature with pen and ink upon the certificate of ownership issued for the snowmobile in the appropriate space provided upon the reverse side of the certificate, and such signature shall be acknowledged before a notary public.

(2) Within 20 calendar days thereafter, the transferee shall forward the certificate of ownership so endorsed, together with the information required under this part, to the division of motor vehicles, which shall file the same upon receipt thereof. No certificate of ownership may be issued by the division until the outstanding certificates

are surrendered to that office or their loss established to its reasonable satisfaction. The division shall collect a fee of $3 for each application for transfer of ownership.

(3) A purchaser of a new or used snowmobile from a licensed snowmobile dealer has a grace period of 20 calendar days from the date of purchase to make application for a certificate of ownership and to obtain a ~~tax-paid~~ decal indicating that the fee in lieu of property tax has been paid on the snowmobile for the current year. It is not a violation of this part or any other law for the purchaser to operate such a snowmobile without a certificate of ownership and a ~~tax-paid~~ decal during the 20-day period. During this period the sticker, provided for in subsection (4), shall remain affixed to the snowmobile.

(4) Prior to the delivery of the snowmobile to the purchaser, the dealer shall issue and affix to the snowmobile a sticker (in a form to be prescribed by the division of motor vehicles). The sticker shall contain the name and address of the purchaser, the date of sale, the name and address of the dealer, and a description of the snowmobile, including its serial number. The dealer shall keep a copy of the sticker for his records and shall send a copy of the sticker to the division.

(5) The provisions of subsection (2) of this section, requiring a transferee to forward the certificate of

ownership after endorsement to the division, do not apply in the event of the transfer of a snowmobile to a duly licensed snowmobile dealer intending to resell the snowmobile and who operates it only for demonstration purposes, but every such dealer, upon transferring such interest, shall deliver the certificate of ownership with an application for a new certificate executed by the new owner in accordance with the provisions of this part. The division, upon receipt of the certificate of ownership and application for a new certificate, together with the conditional sales contract or other lien, if any, shall issue a new certificate of ownership together with a statement of any conditional sales contract, mortgage, or other lien."

Section 37. Section 23-2-616, MCA, is amended to read:

"23-2-616. Display of ~~tax-paid~~ decals -- application and issuance -- use of fees. (1) No snowmobile may be operated by any person in ~~the state of~~ Montana unless there is displayed in a conspicuous place on it a decal as visual proof that ~~Montana personal property taxes~~ the fee in lieu of property tax ~~have~~ has been paid on it for the current year.

(2) Application for the ~~tax-paid~~ decal shall be made to the county treasurer upon forms to be furnished for this purpose, which may be obtained from the division of motor vehicles or at the county ~~assessor's~~ treasurer's office in

the county where the owner resides. The application shall contain the following information:

(a) name of owner;

(b) address;

(c) certificate of ownership number;

(d) name of manufacturer;

(e) model number;

(f) make;

(g) horsepower;

(h) year of manufacture;

(i) statement evidencing ~~assessment--and~~ payment of ~~property-taxes~~ the fee in lieu of property tax; and

(j) such other information as the division of motor vehicles may require.

(3) The application shall be signed by the county treasurer and transmitted by him to the division of motor vehicles accompanied by a fee of $2. Upon receipt of the application in approved form, the division of motor vehicles or county treasurer shall issue to the applicant a decal in the style and design prescribed by the division and of a different color than the preceding year, numbered in sequence.

~~(4)--Before-filing--the--application--with--the--county treasurer--the--applicant--shall--submit--it--to-the-county assessor-of-the-county-and-the-county-assessor--shall--enter~~

~~on--the-application-in-a-place-provided-for-that-purpose-the market-value-and-taxable-value-of--the--snowmobile--for--the year-for-which-the-application-is-made.~~

~~(5)~~(4) The applicant shall pay the county treasurer the application fee and the ~~personal-property-taxes~~ fee in lieu of property tax assessed against the snowmobile for the current year before the application may be accepted by the county treasurer.

~~(6)~~(5) All moneys collected from payment of the application fees and all interest accruing from use of these moneys shall be turned over to the state treasurer and placed in the earmarked revenue fund to the credit of the department, with $1 designated for use in enforcing the purposes of this part and $1 designated for use in the development, maintenance, and operation of snowmobile facilities."

Section 38. Section 23-2-617, MCA, is amended to read:

"23-2-617. Duplicate decal. In the event ~~any~~ a ~~tax-paid~~ decal indicating that the fee in lieu of property tax has been paid on a snowmobile for the current year is lost, mutilated, or becomes illegible, the person to whom the same was issued shall immediately make application for and may obtain a duplicate thereof, upon payment of a fee of $1 to the county treasurer."

Section 39. Section 23-2-618, MCA, is amended to read:

"23-2-618. Application to be made annually -- grace period -- proof of purchase. (1) Application must be made annually to the county treasurer for the issuance of ~~tax-paid decals annually~~ a decal indicating that the fee in lieu of property tax has been paid for the current year. All ~~tax-paid~~ decals expire on June 30 of each year.

(2) An owner of a newly purchased snowmobile shall have a grace period of 20 calendar days from the date of purchase to make application for a current ~~tax-paid~~ decal, provided that at all times during that period a bill of sale or other proof of purchase reciting the date of purchase shall be carried by the operator or with the snowmobile. An owner or operator of ~~such~~ a snowmobile being operated after the 20-day grace period without a current ~~tax-paid~~ decal displayed on the snowmobile shall be subject to the penalties of 23-2-642(1), as amended."

Section 40. Section 23-2-642, MCA, is amended to read:

"23-2-642. Penalties. (1) The failure to display a current ~~tax-paid~~ decal indicating that the fee in lieu of property tax has been paid during the time provided in this part is a misdemeanor, punishable by a fine of not less than $10 or more than $50.

(2) A person who violates any other provision of this part or a rule adopted pursuant thereto shall pay a civil penalty of not less than $15 or more than $500 for each

separate violation.

(3) A person who willfully violates any other provision of this part or a rule adopted pursuant thereto shall pay a civil penalty of not less than $50 or more than $1,000 for each separate violation.

(4) A manufacturer who certifies that a new snowmobile can meet the sound-level limitations imposed by this part shall be subject to the penalty provisions of subsections (2) and (3) if any machine so certified does not meet the appropriate sound level limitation. For the purposes of this section, every sale of a new snowmobile that does not meet the sound-level limitations imposed by this part constitutes a separate violation."

Section 41. Section 15-30-121, MCA, is amended to read:

"15-30-121. Deductions allowed in computing net income. In computing net income, there are allowed as deductions:

(1) the items referred to in sections 161 and 211 of the Internal Revenue Code of 1954, or as sections 161 and 211 shall be labeled or amended, subject to the following exceptions which are not deductible:

(a) items provided for in 15-30-123;

(b) state income tax paid;

(2) federal income tax paid within the taxable year;

(3) child and dependent care expenses determined in accordance with the provisions of section 214 of the Internal Revenue Code of 1954 that were in effect for the taxable year that began January 1, 1974;

(4) that portion of an energy-related investment allowed as a deduction under 15-32-103; and

(5) fees in lieu of property tax paid for automobiles, light trucks, motor homes, travel trailers, campers, motorcycles, and snowmobiles."

Section 42. Section 15-31-114, MCA, is amended to read:

"15-31-114. Deductions allowed in computing income. In computing the net income, the following deductions shall be allowed from the gross income received by such corporation within the year from all sources:

(1) All the ordinary and necessary expenses paid or incurred during the taxable year in the maintenance and operation of its business and properties, including reasonable allowance for salaries for personal services actually rendered, subject to the limitation hereinafter contained, rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title or in which it has no equity. No deduction shall be allowed for salaries paid upon which the recipient thereof

has not paid Montana state income tax; provided, however, that where domestic corporations are taxed on income derived from without the state, salaries of officers paid in connection with securing such income shall be deductible.

(2) (a) All losses actually sustained and charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for the wear and tear and obsolescence of property used in the trade or business, such allowance to be determined according to the provisions of section 167 of the Internal Revenue Code in effect with respect to the taxable year. All elections for depreciation shall be the same as the elections made for federal income tax purposes. No deduction shall be allowed for any amount paid out for any buildings, permanent improvements, or betterments made to increase the value of any property or estate, and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

(b) (i) There shall be allowed as a deduction for the taxable period a net operating loss deduction determined according to the provisions of this subsection. The net operating loss deduction is the aggregate of net operating loss carryovers to such taxable period plus the net operating loss carrybacks to such taxable period. The term

"net operating loss" means the excess of the deductions allowed by this section, 15-31-114, over the gross income, with the modifications specified in (ii) of this subsection. If for any taxable period beginning after December 31, 1970, a net operating loss is sustained, such loss shall be a net operating loss carryback to each of the three taxable periods preceding the taxable period of such loss and shall be a net operating loss carryover to each of the five taxable periods following the taxable period of such loss. A net operating loss for any taxable period ending after December 31, 1975, in addition to being a net operating loss carryback to each of the three preceding taxable periods, shall be a net operating loss carryover to each of the seven taxable periods following the taxable period of such loss. The portion of such loss which shall be carried to each of the other taxable years shall be the excess, if any, of the amount of such loss over the sum of the net income for each of the prior taxable periods to which such loss was carried. For purposes of the preceding sentence, the net income for such prior taxable period shall be computed with the modifications specified in (ii)(B) of this subsection and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss period or any taxable period thereafter, and the net income so computed shall not be considered to be less than zero.

(ii) The modifications referred to in (i) of this subsection shall be as follows:

(A) No net operating loss deduction shall be allowed.

(B) The deduction for depletion shall not exceed the amount which would be allowable if computed under the cost method.

(iii) A net operating loss deduction shall be allowed only with regard to losses attributable to the business carried on within the state of Montana.

(iv) In the case of a merger of corporations, the surviving corporation shall not be allowed a net operating loss deduction for net operating losses sustained by the merged corporations prior to the date of merger. In the case of a consolidation of corporations, the new corporate entity shall not be allowed a deduction for net operating losses sustained by the consolidated corporations prior to the date of consolidation.

(v) Notwithstanding the provisions of 15-31-531, interest shall not be paid with respect to a refund of tax resulting from a net operating loss carryback or carryover.

(vi) The net operating loss deduction shall not be allowed with respect to taxable periods which ended on or before December 31, 1970, but shall be allowed only with respect to taxable periods beginning on or after January 1, 1971.

(3) In the case of mines, other natural deposits, oil and gas wells, and timber, a reasonable allowance for depletion and for depreciation of improvements; such reasonable allowance to be determined according to the provisions of the Internal Revenue Code in effect for the taxable year. All elections made under the Internal Revenue Code with respect to capitalizing or expensing exploration and development costs and intangible drilling expenses for corporation license tax purposes shall be the same as the elections made for federal income tax purposes.

(4) The amount of interest paid within the year on its indebtedness incurred in the operation of the business from which its income is derived; but no interest shall be allowed as a deduction if paid on an indebtedness created for the purchase, maintenance, or improvement of property or for the conduct of business unless the income from such property or business would be taxable under this part.

(5) Interest income from obligations of the state or any political subdivision or municipality of the state.

(6) (a) Taxes paid within the year except the following:

(i) Taxes imposed by this part.

(ii) Taxes assessed against local benefits of a kind tending to increase the value of the property assessed.

(iii) Taxes on or according to or measured by net

income or profits imposed by authority of the government of the United States.

(iv) Taxes imposed by any other state or country upon or measured by net income or profits.

(b) Taxes deductible under this part shall be construed to include taxes imposed by any county, school district, or municipality of this state.

(7) Fees paid in lieu of property tax on automobiles, light trucks, mobile homes, travel trailers, campers, motorcycles, and snowmobiles.

~~(7)~~(8) That portion of an energy-related investment allowed as a deduction under 15-32-103."

Section 43. Section 15-31-406, MCA, is amended to read:

"15-31-406. License tax sections incorporated by reference. The provisions of the following sections of this chapter are incorporated into this part by reference and made a part hereof:

(1) that part of 15-31-101 which defines the term "corporation" and 15-31-102, which specifies the classes of organizations whose income shall not be taxed;

(2) sections 15-31-111 through 15-31-114, as amended; 15-31-141 and 15-31-142; 15-31-301 through 15-31-313; 15-31-501 through 15-31-509; 15-31-525 through 15-31-527; 15-31-531 and 15-31-532; and 15-31-541 through 15-31-543,

except that the term "gross income" shall be construed as excluding the net amount of interest income from valid obligations of the United States and except that wherever the words "tax", "license tax", "license fee", "corporation excise tax", or like words appear, referring to the tax imposed under part 1 of this chapter, there shall be substituted the words "income tax"."

Section 44. Section 15-50-207, MCA, is amended to read:

"15-50-207. Credit against other taxes -- credit for personal property taxes and fees in lieu of property tax. (1) The additional license fees withheld or otherwise paid as provided herein may be used as a credit on the contractor's corporation license tax provided for in chapter 31 of this title or on the contractor's income tax provided for in chapter 30, depending upon the type of tax the contractor is required to pay under the laws of the state.

(2) Personal property taxes or fees in lieu of property tax paid in Montana on any personal property of the contractor ~~which~~ that is used in the business of the contractor and is located within this state may be credited against the license fees required under this chapter. However, in computing the tax credit allowed by this section against the contractor's corporation license tax or income tax, the personal property tax or fee in lieu of property

tax credit against the license fees herein required ~~shall~~ may not be considered as license fees paid for the purpose of such income tax or corporation license tax credit."

Section 45. Applicability. This act applies to automobiles, light trucks, mobile homes, travel trailers, campers, motorcycles, and snowmobiles registered during and after 1980.

Section 46. Repealer. Sections 15-6-121 and 15-8-203, MCA, are repealed.

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